



OFFICE OF
INSURANCE COMMISSIONER

January 23, 2008

Open letter to members of the Washington State Legislature: Setting the record straight

Dear Senators and Representatives:

I'm taking an unprecedented step today in writing to you directly because I feel compelled to set the record straight and ensure that your vote on my individual health insurance market proposal (ESB 5261) is based on factual information.

The truth is that I'm simply seeking to restore the insurance commissioner's ability to protect consumers in the individual health insurance market with the same objective oversight that consumers in all other health insurance plans are afforded. That's it.

Yet, to listen to the carriers at last week's hearing, you would have been led to believe that the transparency I am seeking will have all manner of negative fallout for Washington's insurance-consuming public. They're wrong.

Myth: Passing this bill will cause carriers to flee the market in droves as in the early 1990s.

Fact: Of the 16 health care service contractors and health maintenance organizations that were writing individual health plans in 1990, ALL 16 are still here. You most likely know them by other names since they were acquired by the top three carriers we now have today – Regence, Premera and Group Health.

In 1990, these three carriers shared more than half of the health insurance market, and as of 2006, these same companies still control more than half of the market.

Even if these companies were inclined to leave the market, where would they go?

Myth: Other states do not regulate rates in the individual market.

Fact: 42 states regulate rates in the individual market. Fourteen of those states have the same authority that I'm seeking, including states as diverse as Oregon and Utah. Twenty-eight others, plus the District of Columbia, have more authority.

Myth: All carriers are losing money in the individual market.

Fact: In 2006, Premera, Lifewise (a subsidiary of Premera), and Group Health all made money in the individual market. Twenty percent of the premium that Premera

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collected went to profit. Lifewise made nearly four percent, and Group Health made over eight percent. Regence lost less than three percent, but has since raised rates twice in the last year.

Your constituents with individual health plans continue to be hit with double-digit rate increases year after year. But no one can tell them if those rates are justified.

It's time we shined a light on the individual market. What are the carriers so afraid of? They can still off-load their sickest applicants to the state, still health underwrite and replace their policies. This bill will restore transparency to the individual market. Your constituents deserve no less.

These are the facts I believe you should consider when deciding how you will vote on this proposal.

Thank you for your support.

Sincerely,

A handwritten signature in black ink, reading "Mike Kreidler". The signature is fluid and cursive, with the first name "Mike" and last name "Kreidler" clearly legible.

Mike Kreidler
Insurance Commissioner